

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Flushing	County Genesee
Fiscal Year End June 30, 2006	Opinion Date August 18, 2006	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

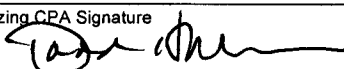
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments	
Other (Describe)	<input type="checkbox"/>	No other reports required	
Certified Public Accountant (Firm Name) Plante & Moran		Telephone Number 810-767-5350	
Street Address 111 E. Court Street, Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 		Printed Name Tadd Harburn	
		License Number 1101014134	

**City of Flushing**  
**Genesee County, Michigan**  
**Comprehensive**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2006**

Prepared by:  
City Clerk/Treasurer's Office

**City of Flushing, Michigan  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006**

**Table of Contents**

	<u>Pages</u>
Introductory Section:	
Letter of Transmittal .....	1-3
Organization Chart .....	4
List of Principal Officials .....	5
Certificate of Achievement .....	6
Financial Section:	
<b>Report Letter</b> .....	7
<b>Management's Discussion and Analysis</b> .....	8-15
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	16
Statement of Activities .....	17-18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	19-20
Reconciliation of the Balance Sheet to the Statement of Net Assets.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	24
Proprietary Funds:	
Statement of Net Assets.....	25-26
Statement of Revenues, Expenses and Changes in Net Assets.....	27-28
Statement of Cash Flows.....	29-30
Fiduciary Funds:	
Statement of Net Assets.....	31
Notes to the Basic Financial Statements .....	32-47

**City of Flushing, Michigan  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006**

**Table of Contents – (continued)**

	<u>Pages</u>
Financial Section (continued)	
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule – General Fund .....	48-49
Notes to Required Supplemental Information .....	50
<b>Other Supplemental Information</b>	
Nonmajor governmental funds:	
Fund Descriptions .....	51-52
Combining Balance Sheet .....	53-54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	55-56
Budgetary Comparison Schedules – Major and Local Special Revenue Funds ...	57-58
Fiduciary Funds:	
Combining Balance Sheet – Agency Funds .....	59
Combining Statement of Changes in Asset and Liabilities – All Agency Funds .....	60
Capital Assets Used in Operation of Governmental Funds:	
Comparative Schedules by Source .....	61
Schedule by Function and Activity .....	62-63
Schedule of Changes by Function and Activity .....	64

**City of Flushing, Michigan  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006**

**Table of Contents – (continued)**

	<u>Pages</u>
Statistical Section:	
Financial Trend Information:	
Net Assets by Component.....	65
Changes in Governmental Net Assets.....	66
Changes in Business Type Net Assets .....	67
Fund Balances, Governmental Funds .....	68
Changes in Fund Balances, Governmental Funds .....	69
Revenue Capacity Information:	
Taxable value and actual value of taxable property.....	70
Direct and overlapping property tax rates.....	71
Principal property tax payers .....	72
Property tax levies and collections .....	73
Debt Capacity Information:	
Ratios of outstanding debt .....	74
Ratios of general bonded debt outstanding.....	75
Direct and overlapping governmental activities debt .....	76
Legal debt margin .....	77
Pledged-revenue coverage .....	78
Demographic and Economic Information:	
Demographic and economic statistics.....	79
Principal employers .....	80
Operating Information:	
Full-time equivalent government employees.....	81
Operating indicators.....	82
Capital asset statistics .....	83

# **Introductory Section**

# *City of Flushing*

725 E. MAIN STREET  
FLUSHING, MICHIGAN 48433  
PHONE (810) 659-5665 • FAX (810) 659-0569

October 9, 2006

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Flushing:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Plante & Moran, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Flushing's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## ***Profile of the Government***

The City of Flushing, incorporated in 1964, is located in the central part of the state. The City of Flushing currently occupies a land area of 4 square miles and serves a resident population of 8,348 with all municipal services and contracts with Flushing Charter Township for fire, water and sewer services. The City of Flushing is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Flushing has operated under the council-manager form of government since 1964. Policy-making and legislative authority are vested in a government council consisting of the mayor and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing advisory committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a two-year term. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City of Flushing provides a full range of services, including police and fire protection; construction and maintenance of streets, sanitation, water and sewer utilities, cemetery, assessing, building inspection and code enforcement.

The City also provides fire services to the Charter Township of Flushing through contract and provides joint services such as: Flushing Parks and Recreation Committee, Senior Citizen Activity Center and the Flushing District Library.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Flushing's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council.

### ***Local economy***

Many of Flushing's residents work in Flint or other communities in the Flint metropolitan area. Thus, Flushing is influenced by the future of Genesee County. Genesee County's unemployment rate dropped from 8.8% in 2004 to 8% in 2005. The unemployment rate in Genesee County is at, or near the highest in the state.

Automobile and truck related production makes up the largest share of manufacturing employment in Genesee County. Employment at General Motors, SPO, and Delphi facilities decreased significantly in recent years. It will be the job of leaders from the public and private sector to work closely with these employers to explore new product lines and new opportunities.

### **Long-term financial planning**

Historically, the city has used a Capital Improvements program to identify short and long range capital purchases required to maintain all of the basic, as well as complex, services that are available to the public through traditional financing mechanisms. That program originates with the Flushing Planning Commission in the fall and concludes with a public hearing and joint meeting with the City Council the following spring. Capital purchases as well as community programs are identified based upon a perceived need. These items are then placed onto a time table that identifies when the item is to be completed, the estimated cost of the item, and potential financing sources.

This model will need to be modified, as State Shared Revenues play an important role in funding the cost of employee benefits, as they are rising much faster than the rate of inflation. The time table for new purchases and programs, that are included in the financial model will need to be coordinated with pressures of lost revenues.

### **Relevant financial policies**

The City of Flushing's financial policies are largely dictated through provisions in the City Charter that dictate procedure of budget adoption, as well as ordinances that define purchasing procedures. Many of the city's financial policies are dictated through state law, which defines the amount and manner of revenue collection that the city receives by fund. Examples are the return of state sales tax, gas taxes, and fees that can be charged for services as a direct result of the proportional costs.



Although a significant portion of budget expenditures are the result of payroll and related employee benefits, the long term cost of these items will need to be identified within the next few years as the result of mandated accounting changes. These changes will require all units of government to account for post employment benefits that are currently being accrued, but are not identified as liabilities. The ability of governmental units to measure and meet the cost of long term financial commitments to their employees will likely influence future labor contracts as well as help to establish meaningful administrative benefit guidelines.

### **Major initiatives**

During the 2005/2006 fiscal year, the City of Flushing completed construction of a new City Hall and Police Station. The City Hall replaces a building that was first used as a church in 1864 and was later converted to a Flushing City Hall around 1945. The Police Station replaces a former residence, used as a police station, that the city acquired in 1985. The new facility includes over ten thousand square feet of office area, including police locker rooms, in addition to a future community room that is currently vacant in the lower level.

The city is now preparing to provide new uses for the former city hall facility. As proper renovation of that building will require significant investment, it is likely that funding methods for that renovation will be considered by the city. In the event that sufficient funding is not made available, alternative uses will need to be considered for this property.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Flushing for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the thirteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Flushing's finances.

Respectfully submitted,



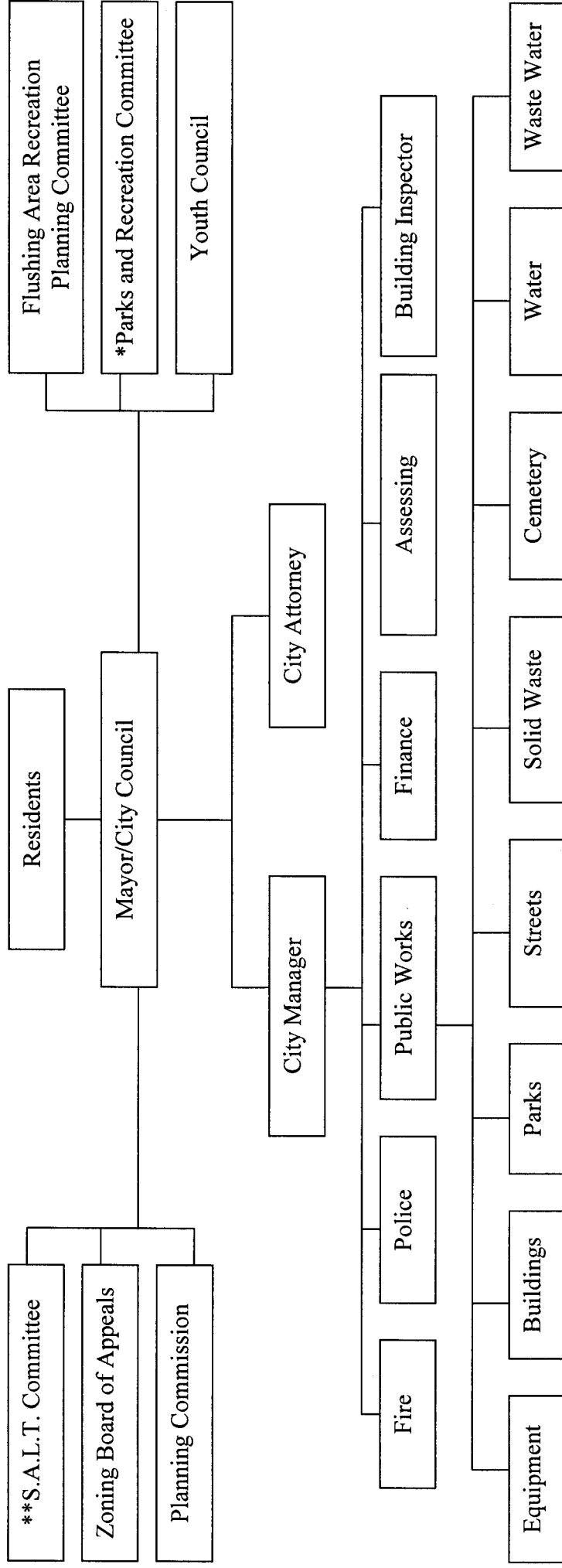
Dennis J. Bow  
City Manager



Nancy G. Parks  
City Clerk/Treasurer

# ORGANIZATIONAL CHART

## City of Flushing, Michigan



### FLUSHING'S CITY GOVERNMENT

Under its City Charter, Flushing operates under a Council-Manager plan of government. In this system, the Mayor and City Council is composed of seven members elected at large in non-partisan elections. From amongst its membership, the Council chooses a Mayor Pro-Tem serving a two-year term.

The City Manager is appointed by and is directly responsible to the City Council. He/she serves at the pleasure of the Council and is chosen solely on the basis of his/her executive ability and experience in municipal affairs. As the administrative head of the City, the Manager carries out the policies that are made by the City Council, and directs and coordinates the work of the City departments.

The organization chart on this page indicates how the City government is organized to meet the many requirements of its citizens.

\* This committee works in conjunction with and at the direction of the Director of Public Works.

\*\* This committee works in conjunction with and at the direction of the Chief of Police.

**City of Flushing, Michigan  
List of Principal Officials**

City Council

Janice L. Gensel	Mayor
Michael T. Szukhent	Mayor Pro-Tem
Richard L. Bade	Councilperson
John C. Gault	Councilperson
Paul Gentine	Councilperson
George G. Kozan	Councilperson
Teresa K. Salem	Councilperson

Other City Officers and Officials

Dennis Bow	City Manager
Nancy Parks	City Clerk/Treasurer
Bryan Sutton	DPW Director
Janet Walling	City Assessor
Fay Peek, III	Police Chief
Ronald Downing	Fire Chief

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Flushing  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## **Financial Section**



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Flushing  
Flushing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flushing's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing, as of June 30, 2006, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flushing's basic financial statements. The management's discussion and analysis, and budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules, combining balance sheets and combining statements of revenue, expenditures and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The Introductory section and the statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Plante & Moran, PLLC*

August 18, 2006

## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

As management of the City of Flushing, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$25,318,365 (net assets). Of this amount, \$766,746 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$174,101 during the year; this can be attributed to capital purchases, capital sales and depreciation.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,686,362, a decrease of \$574,842 in comparison with the prior year. Approximately 70% of this total amount, or \$1,065,900, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$645,438, or 17 percent of total general fund expenditures.
- The City had no new issuances of debt during the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and highways and streets. The business-type activities of the City include water and sewer operations as well as the building department.



The government-wide financial statements can be found on pages 19 through 21 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, local street, and capital improvement fund, each of which are considered to be major funds. The City's nonmajor governmental funds are: COPS Grant, Cemetery Fund, Debt Service Fund, Fire Department Reserve Fund, and the Community Development Fund.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 22 through 27 of this report.

**Proprietary funds.** The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution operations, as well as the building department. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its vehicle and equipment maintenance activities. Because this service predominantly benefits governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within governmental activities in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, as well as the building department. The sewer and water funds are considered to be major funds of the City, whereas the building department is a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 28 through 33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The two City agency funds are classified as

fiduciary funds. The Tax Collection fund is used to account for tax collections by the City of Flushing on behalf of other governments. The General Trust fund is used to account for monies received from contractors doing work with the City to ensure the work is completed. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-50 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Flushing's progress in funding its obligation to provide pension benefits to its employees and budget to actual presentation for the general fund and major special revenue funds. Required supplementary information can be found on pages 51 to 53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental, proprietary and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 54 to 63 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Flushing, assets exceeded liabilities by \$19,205,767 at the close of the most recent fiscal year.

#### City of Flushing's Net Assets June 30, 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 1,910	\$ 2,511	\$ 488	\$ 462	\$ 2,398	\$ 2,973
Capital assets	18,807	18,216	7,558	7,938	26,365	26,154
Total assets	20,717	20,727	8,046	8,400	28,763	29,127
Long-term liabilities						
outstanding	1,307	1,382	1,775	1,995	3,082	3,377
Other liabilities	204	105	158	152	362	257
Total liabilities	1,511	1,487	1,933	2,147	3,444	3,634
Net assets:						
Invested in capital assets, net of related debt	17,777	17,102	5,783	5,943	23,560	23,045
Restricted	913	1,430	79	79	992	1,509
Unrestricted	516	708	251	231	767	939
Total net assets	\$ 19,206	\$19,240	\$ 6,113	\$ 6,253	\$ 25,319	\$ 25,493

By far the largest portion of the City's net assets (91 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (3 percent or \$515,907) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets decreased by \$(33,831) during the current fiscal year. The following table shows the changes of the net assets during the current year, and as compared to the prior year (in thousands of dollars):

**City of Flushing's Changes in Net Assets  
For the Year Ended June 30, 2006**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 871	\$ 890	\$ 2,049	\$ 2,042	\$ 2,920	\$ 2,932
Operating grants and contributions	544	535	-	-	544	535
Capital grants and contributions	6	2,021	21	353	27	2,374
General revenues:						
Property taxes	2,330	2,253	-	-	2,330	2,253
Grants and contributions not restricted to specific programs	1,344	1,065	-	-	1,344	1,065
Other	-	-	2	2	2	2
Total revenues	5,095	6,764	2,072	2,397	7,167	9,161
Expenses:						
General government	1,164	1,121	-	-	1,164	1,121
Public safety	1,394	1,298	-	-	1,394	1,298
Public Works	2,186	2,025	-	-	2,186	2,025
Parks and Recreation	336	207	-	-	336	207
Social and Cultural	40	41	-	-	40	41
Planning	3	3	-	-	3	3
Interest on long-term debt	1	2	-	-	1	2
Water	-	1,144	1,109	1,144	1,109	
Sewer	-	-	1,034	969	1,034	969
Building Department	-	-	38	49	38	49
Total expenses	5,124	4,697	2,216	2,127	7,340	6,824
Increase in net assets before transfers	(29)	2,067	(144)	270	(173)	2,337
Transfers	(4)	(17)	4	17	-	-
Increase in net assets	(33)	2,050	(140)	287	(173)	2,337
Net assets – 7/1/05	19,239	17,190	6,253	5,966	25,492	23,156
Net assets – 6/30/06	\$ 19,206	\$ 19,240	\$ 6,113	\$ 6,253	\$ 25,319	\$ 25,493

**Governmental activities.** Governmental activities decreased the City's net assets by \$174,101.

The City's governmental revenues decreased by \$327,000. This was primarily attributed to lower Capital Grants and Contributions (approximately \$2 million). This decrease was offset by an increase in property tax revenue of \$76,000 and an increase in Operating grants and contributions.

Expenses decreased by \$400,000 over last fiscal year. A major factor for this decrease was the \$500,000 transfer from General Fund to the Capital Improvement Fund in fiscal year 2005 for construction of the City Hall/Police Station.

**Expenses and Program Revenues - Governmental Activities** (Amounts expressed in hundreds of dollars)

	<u>2006 Amount</u>	<u>2006 Percent of Total</u>	<u>Increase (Decrease) from 2005</u>
<b>REVENUE</b>			
Taxes	\$2,326,450	44.93%	\$ 76,878
Licenses and Permits	1,047	0.02%	(225)
Intergovernmental	1,335,548	25.79%	(157,135)
Charges for Services	790,070	15.26%	(13,872)
Fines and Fees	14,863	0.29%	(3,612)
Interest and Other	<u>575,875</u>	<u>11.12%</u>	<u>285,013</u>
Subtotal	5,043,853	97.41%	187,047
Transfers from Other Funds	<u>134,008</u>	<u>2.59%</u>	<u>(514,190)</u>
Total	<u>\$5,177,861</u>	<u>100.00%</u>	<u>\$(327,143)</u>

	<u>2006 Amount</u>	<u>2006 Percent of Total</u>	<u>Increase (Decrease) from 2005</u>
<b>EXPENDITURES</b>			
Current Operations			
General Government	\$ 1,269,279	22.08%	\$ 60,170
Public Safety	1,460,327	25.40%	(39,350)
Public Works	1,340,343	23.32%	(198,332)
Recreation	197,852	3.44%	16,508
Social and Cultural	28,414	0.49%	1,964
Planning	3,115	0.05%	(339)
Other	57,401	1.01%	53,401
Capital Outlay	1,246,484	21.68%	227,478
Debt Service	<u>11,480</u>	<u>0.20%</u>	<u>(624)</u>
Subtotal	5,614,695	97.67%	120,876
Transfers to Other Funds	<u>134,008</u>	<u>2.33%</u>	<u>(527,590)</u>
Total	<u>\$ 5,748,703</u>	<u>100.00%</u>	<u>\$ (406,714)</u>

**Business-type activities.** Business-type activities decreased the City's net assets by \$(140,207):

- There were no new subdivisions constructed during the fiscal year, thus reducing developer's contributions for new sewer and water lines.
- Water rates were increased in accordance with rate increases passed on by Genesee County Water and Waste Services.

**Expenses and Program Revenues - Business-type Activities** (Amounts expressed in hundreds of dollars)

	<u>Sewer</u>		<u>Water</u>		<u>Building Dept.</u>	
		Increase		Increase		Increase
	<u>2006</u>	<u>Decrease</u>	<u>2006</u>	<u>Decrease</u>	<u>2006</u>	<u>Decrease</u>
Operating Revenue	\$ 878,478	\$ (37,373)	\$1,136,593	\$ 42,374	\$ 33,815	\$ 1,933
Operating Expenses	1,003,784	72,020	1,109,400	37,710	37,676	(11,512)
Net Income (Loss)	(125,306)	(109,393)	27,193	4,664	(3,861)	13,445
Nonoperating Revenue – Net	(9,074)	(89,809)	(33,222)	(232,954)	4,000	(13,400)
Change in Net Assets	\$ (134,380)	\$(199,202)	\$ (6,029)	\$(228,290)	\$ 139	\$ 45

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,686,362, a decrease of \$(574,842) in comparison with the prior year. Approximately 63 percent of this total amount \$(1,065,900) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for other restricted purposes \$(620,462).

**General Fund** - The chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$645,438, while total fund balance was \$1,065,139. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 13 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$(4,683) during the current fiscal year. The nonmajor funds have a total fund balance of \$599,748, of which \$398,987 is unreserved.

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets (deficit) of the building department, sewer and water enterprise funds at the end of the year amounted to \$1,122, \$289,470 and \$(59,821), respectively. The building department fund had an increase of \$94, the sewer fund had an increase of \$64,822 in net assets for the year, whereas the water fund had an increase of \$222,261. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

The difference between the original and final amended budgets for expenditures was an increase of \$218,050. Increases were mainly in the administration department of public works as follows: \$30,000 for additional architect fees related to the construction cost of the City Hall/Police Station; a \$70,000 local match to complete the Riverview Trail; and \$57,000 for the landscaping of the clock tower project.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounted to \$26,364,703 (net of accumulated depreciation). This investment in capital assets includes land, rights-of-ways, construction in progress, buildings and systems, improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$210,236, a \$590,575 increase for governmental activities and a decrease of \$380,339 for business-type activities.

Major capital asset events during the current fiscal year included the following:

- A street construction project at a cost of approximately \$572,000.
- The completion of the new City Hall/Police Station and the completion of the railway.

The following table shows the categories of capital assets for the current date and compared to the prior year (in thousands of dollars):

### City of Flushing's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Capital assets, not being depreciated:						
Land	\$ 960	\$ 960	\$ 19	\$ 19	\$ 979	\$ 979
Right-of-Ways	5,334	5,334	-	-	5,334	5,334
Construction in progress	-	1,262	-	-	-	1,262
Capital assets, being depreciated:						
Buildings and improvements	2,440	606	4,387	4,599	6,827	5,205
Machinery and equipment	526	416	3,137	3,300	3,663	3,716
Infrastructure	9,547	9,638	15	20	9,562	9,658
Total	<u>\$ 18,807</u>	<u>\$ 18,216</u>	<u>\$ 7,558</u>	<u>\$ 7,938</u>	<u>\$ 26,365</u>	<u>\$ 26,154</u>

Additional information on the City's capital assets can be found in note III.C. on pages 43 and 44 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total installment debt outstanding of \$2,805,000. The City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and installment purchase contracts.

The following table shows the categories of debt for the current date and compared to the prior year (in thousands of dollars):

**City of Flushing's Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ -	\$ -	\$ 480	\$ 610	\$ 480	\$ 610
Special assessment debt with governmental commitment	10	20	-	-	10	20
Installment purchase obligation	915	989	-	-	915	989
Land contract	105	105	-	-	105	105
Revenue bonds	-	-	-	1,295	1,385	1,295
Total	<u>\$ 1,030</u>	<u>\$ 1,114</u>	<u>\$ 1,775</u>	<u>\$ 1,995</u>	<u>\$ 2,805</u>	<u>\$ 3,109</u>

There were no issuances of debt during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$25,343,230, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note III.E on pages 46 and 47 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2006-07 fiscal year:

- Projections of commercial, industrial, tourism and residential growth potential;
- Economic indicators for the region and local development projects currently proposed and or underway;
- Growth and development trends as a result of the 2000 Census;
- Projected staff and capital improvements projects by the City;
- Available taxing, bonding and grant resources.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager or City Clerk/Treasurer.

## **Basic Financial Statements**



# **Government-wide Financial Statements**

**City of Flushing**  
**Statement of Net Assets**  
**June 30, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,206,306	\$ 43,634	\$ 1,249,940
Investments	170,667	-	170,667
Receivables	429,191	452,515	881,706
Internal balances	100,000	(100,000)	-
Inventories	-	12,445	12,445
Prepaid items	4,271	-	4,271
Restricted investments	-	79,000	79,000
Capital assets nondepreciable	6,293,740	18,790	6,312,530
Capital assets (net of accumulated depreciation)	12,513,204	7,538,969	20,052,173
Total assets	20,717,379	8,045,353	28,762,732
<b>Liabilities</b>			
Accounts payable	139,540	140,481	280,021
Accrued liabilities	62,076	17,274	79,350
Due to other governments	367	-	367
Deposits	2,000	-	2,000
Noncurrent liabilities:			
Due within one year	239,000	250,000	489,000
Due in more than one year	1,068,629	1,525,000	2,593,629
Total liabilities	1,511,612	1,932,755	3,444,367
<b>Net assets</b>			
Invested in capital assets, net of related debt	17,776,944	5,763,969	23,540,913
Restricted for:			
Debt service	8	44,000	44,008
Capital asset replacement	-	35,000	35,000
Streets	375,242	-	375,242
Community Development	310,729	-	310,729
Capital projects	21,475	-	21,475
Cemetery	200,761	-	200,761
Somerset park	4,701	-	4,701
Unrestricted	515,907	269,629	785,536
Total net assets	\$ 19,205,767	\$ 6,112,598	\$ 25,318,365

*The notes to financial statements are an integral part of this statement.*

**City of Flushing**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

Functions\Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,122,366	\$ 159,304	\$ -	\$ -
Public safety	1,393,787	126,863	-	5,692
Public works	2,178,726	546,685	543,726	-
Parks and recreation	336,102	24,926	-	-
Social and cultural	39,825	13,465	-	-
Planning	3,115	-	-	-
Interest on long-term debt	50,853	-	-	-
Total governmental activities	5,124,774	871,243	543,726	5,692
Business-type activities				
Water	1,144,025	1,136,593	-	-
Sewer	1,034,324	878,478	-	20,565
Building department	37,676	33,815	-	-
Total business-type activities	2,216,025	2,048,886	-	20,565
Total primary government	\$ 7,340,799	\$ 2,920,129	\$ 543,726	\$ 26,257
General revenues:				
Property taxes				
State shared revenue				
Unrestricted grants and contributions				
Investment earnings				
Transfers				
Total general revenues				
Change in net assets				
Net assets - beginning of year				
<b>Net assets - end of year</b>				

*The notes to financial statements are an integral part of this statement.*

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (963,062)	\$ -	\$ (963,062)
(1,261,232)	-	(1,261,232)
(1,088,315)	-	(1,088,315)
(311,176)	-	(311,176)
(26,360)	-	(26,360)
(3,115)	-	(3,115)
(50,853)	-	(50,853)
(3,704,113)	-	(3,704,113)
-	(7,432)	(7,432)
-	(135,281)	(135,281)
-	(3,861)	(3,861)
-	(146,574)	(146,574)
(3,704,113)	(146,574)	(3,850,687)
2,329,613	-	2,329,613
738,310	-	738,310
242,144	-	242,144
364,215	2,304	366,519
(4,000)	4,000	-
3,670,282	6,304	3,676,586
(33,831)	(140,270)	(174,101)
19,239,598	6,252,868	25,492,466
\$ 19,205,767	\$ 6,112,598	\$ 25,318,365

## **Fund Financial Statements**

**City of Flushing  
Balance Sheet  
Governmental Funds  
June 30, 2006  
With Comparative Totals for June 30, 2005**

	<b>General</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 752,082	\$ 32,107	\$ 372,419
Investments	-	-	170,667
Accounts receivable	124,962	-	-
Due from other governmental units	239,764	-	64,465
Due from other funds	-	-	-
Prepaid items	4,271	-	-
Advance to other funds	100,000	-	-
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,221,079	\$ 32,107	\$ 607,551
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts payable	\$ 95,952	\$ 10,632	\$ 3,136
Accrued and other liabilities	57,734	-	2,667
Deposits	-	-	2,000
Due to other governmental units	367	-	-
Due to other funds	1,887	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	155,940	10,632	7,803
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
Fund balances:			
Reserved for advance to other funds	100,000	-	-
Reserved for prepaid items	4,271	-	-
Reserved for community development	310,729	-	-
Reserved for Somerset Park	4,701	-	-
Reserved for Presbyterian	-	-	-
Unreserved, reported in:			
General fund	645,438	-	-
Special revenue funds	-	-	375,242
Debt service fund	-	-	8
Capital projects funds	-	21,475	23,737
Permanent fund	-	-	200,761
	<hr/>	<hr/>	<hr/>
Total fund balances	1,065,139	21,475	599,748
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 1,221,079	\$ 32,107	\$ 607,551
	<hr/>	<hr/>	<hr/>

*The notes to financial statements are an integral part of this statement.*

Totals	
2006	2005
\$ 1,156,608	\$ 1,669,952
170,667	172,296
124,962	46,059
304,229	332,550
-	40,000
4,271	-
100,000	100,000
<hr/>	
\$ 1,860,737	\$ 2,360,857
<hr/>	

\$ 109,720	\$ 43,717
60,401	52,252
2,000	2,000
367	370
1,887	1,314
<hr/>	
174,375	99,653
<hr/>	

100,000	100,000
4,271	-
310,729	367,513
4,701	4,701
-	431
645,438	650,121
375,242	350,819
8	8
45,212	195,885
200,761	591,726
<hr/>	
1,686,362	2,261,204
<hr/>	
\$ 1,860,737	\$ 2,360,857
<hr/>	

**City of Flushing**  
**Reconciliation of Fund Balances as Reported in the Governmental**  
**Balance Sheet to the Statement of Net Assets**  
**June 30, 2006**

Fund balances of governmental funds	\$ 1,686,362
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities (exclusive of internal service funds) are not financial resources and, therefore, are not reported in the funds.	18,556,537
Internal service funds are used by management to charge the costs of fleet management to individual funds. These assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	270,497
Long-term liabilities, including bond and contract payables, are not due and payable in the current period and therefore are not reported in the funds.	(1,030,000)
Employee compensated absences are payable over a long period of years, and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities.	(277,629)
Net assets of governmental activities	<hr/> <u>\$ 19,205,767</u>

*The notes to financial statements are an integral part of this statement.*



**City of Flushing**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**Year Ended June 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<b>General</b>	<b>Capital Improvements</b>	<b>Other Governmental Funds</b>
<b>Revenues:</b>			
Taxes	\$ 1,650,342	\$ 676,108	\$ -
Licenses and permits	1,047	-	-
Intergovernmental:			
Federal	5,692	-	22,082
State	745,804	3,163	545,342
Local	13,465	-	-
Charges for services	790,070	-	-
Fines and fees	14,863	-	-
Administrative services	110,000	-	-
Interest and other	255,297	201,974	8,604
Total revenues	<u>3,586,580</u>	<u>881,245</u>	<u>576,028</u>
<b>Expenditures:</b>			
Current:			
General government	1,269,279	-	-
Public safety	1,460,327	-	-
Public works and streets	790,738	-	549,605
Recreation	197,852	-	-
Social and cultural	28,414	-	-
Planning	3,115	-	-
Other	-	2,000	55,401
Capital outlay	-	1,246,484	-
Debt service:			
Principal payments	-	-	10,000
Interest and paying agent fees	-	-	1,480
Total expenditures	<u>3,749,725</u>	<u>1,248,484</u>	<u>616,486</u>
Deficiency of revenues over expenditures	<u>(163,145)</u>	<u>(367,239)</u>	<u>(40,458)</u>
<b>Other financing sources (uses):</b>			
Transfers in	116,023	-	17,985
Transfers out	(10,505)	(127,503)	-
Total other financing sources (uses)	<u>105,518</u>	<u>(127,503)</u>	<u>17,985</u>
Net change in fund balance	(57,627)	(494,742)	(22,473)
Fund balance - beginning of year	<u>1,122,766</u>	<u>516,217</u>	<u>622,221</u>
<b>Fund balance - end of year</b>	<u><u>\$ 1,065,139</u></u>	<u><u>\$ 21,475</u></u>	<u><u>\$ 599,748</u></u>

*The notes to financial statements are an integral part of this statement.*

Totals		
	2006	2005
\$	2,326,450	\$ 2,249,572
	1,047	1,272
	27,774	120,220
	1,294,309	1,309,489
	13,465	62,974
	790,070	803,942
	14,863	18,475
	110,000	110,000
	465,875	180,862
	5,043,853	4,856,806
	1,269,279	1,209,109
	1,460,327	1,499,677
	1,340,343	1,538,675
	197,852	181,344
	28,414	26,450
	3,115	3,454
	57,401	4,000
	1,246,484	1,019,006
	10,000	10,000
	1,480	2,104
	5,614,695	5,493,819
	(570,842)	(637,013)
	134,008	648,198
	(138,008)	(665,598)
	(4,000)	(17,400)
	(574,842)	(654,413)
	2,261,204	2,915,617
\$	1,686,362	\$ 2,261,204

**City of Flushing**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

Net Change in fund balances - total governmental funds \$ (574,842)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets are allocated over their useful lives and reported as depreciation expense:

Capital outlay	1,442,849
Depreciation expense	(869,671)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses include compensated absences and changes to accrued claims liabilities.

(9,900)

The payment of principal on long term debt consumes the current financial resources of the governmental funds. However, on the statement of net assets, repayments of principal are recorded as a reduction to long term debt payable and do not affect net assets.

84,000

The activities of the internal service funds are considered part of governmental activities on the statement of changes in net assets but are not reported in the funds. The internal service funds had a net loss of \$106,267 for the year ended June 30, 2006 and that net loss is included in the statement of changes in net assets of governmental activities.

(106,267)

Changes in net assets of governmental activities	\$ (33,831)
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*The notes to financial statements are an integral part of this statement.*

**City of Flushing**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Building Department</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1	\$ 40,053	\$ 3,580
Customer Receivables	232,959	219,556	-
Due from other funds	-	40,274	-
Inventories	12,445	-	-
Total current assets	245,405	299,883	3,580
Noncurrent assets:			
Restricted investments	49,000	30,000	-
Capital assets nondepreciable	-	18,790	-
Capital assets - net of accumulated depreciation	3,339,851	4,199,118	-
Total noncurrent assets	3,388,851	4,247,908	-
Total assets	3,634,256	4,547,791	3,580
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	123,500	14,662	2,319
Accrued and other liabilities	6,450	10,824	-
Due to other funds	40,274	-	-
Current portion of long-term debt	95,000	155,000	-
Total current liabilities	265,224	180,486	2,319
Noncurrent liabilities:			
Advance from other funds	100,000	-	-
Long-term debt - net of current portion	1,200,000	325,000	-
Total noncurrent liabilities	1,300,000	325,000	-
Total liabilities	1,565,224	505,486	2,319
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,044,851	3,719,118	-
Restricted for debt service	29,000	15,000	-
Restricted for replacement of capital assets	20,000	15,000	-
Unrestricted (deficit)	(24,819)	293,187	1,261
Total net assets	\$ 2,069,032	\$ 4,042,305	\$ 1,261

*The notes to financial statements are an integral part of this statement.*

<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities</b>
<b>Total Enterprise Funds</b>	<b>Motor Pool Internal Service Fund</b>
\$ 43,634	\$ 49,698
452,515	-
40,274	1,887
12,445	-
548,868	51,585
79,000	-
18,790	-
7,538,969	250,407
7,636,759	250,407
8,185,627	301,992
140,481	29,820
17,274	1,675
40,274	-
250,000	-
448,029	31,495
100,000	-
1,525,000	-
1,625,000	-
2,073,029	31,495
5,763,969	250,407
44,000	-
35,000	-
269,629	20,090
\$ 6,112,598	\$ 270,497

**City of Flushing**  
**Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2006**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Building Department</b>
<b>Operating revenues:</b>			
Charges for services	\$ 1,136,593	\$ 878,478	\$ 33,815
<b>Operating expenses:</b>			
Water purchases	652,566	-	-
Contractual services	-	-	37,676
Salaries, wages and fringe benefits	235,283	478,271	-
Supplies and other operating expenses	50,522	236,204	-
Administrative charges	40,000	40,000	-
Depreciation	131,029	249,309	-
Total operating expenses	1,109,400	1,003,784	37,676
Net operating income (loss)	27,193	(125,306)	(3,861)
<b>Nonoperating revenues (expenses):</b>			
Interest income	1,403	901	-
Interest expense and paying agent fees	(34,625)	(30,540)	-
Gain on disposal of capital assets	-	-	-
Total nonoperating revenue (expenses)	(33,222)	(29,639)	-
Net loss before contributions and transfers	(6,029)	(154,945)	(3,861)
Capital contributions	-	20,565	-
Transfers	-	-	4,000
Change in net assets	(6,029)	(134,380)	139
Net assets - beginning of year	2,075,061	4,176,685	1,122
<b>Net assets - end of year</b>	<b>\$ 2,069,032</b>	<b>\$ 4,042,305</b>	<b>\$ 1,261</b>

*The notes to financial statements are an integral part of this statement.*

<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities</b>
<b>Total Enterprise Funds</b>	<b>Motor Pool Internal Service Fund</b>
\$ 2,048,886	\$ 253,532
652,566	-
37,676	-
713,554	81,435
286,726	177,661
80,000	30,000
380,338	78,910
2,150,860	368,006
(101,974)	(114,474)
2,304	1,007
(65,165)	-
-	7,200
(62,861)	8,207
(164,835)	(106,267)
20,565	-
4,000	-
(140,270)	(106,267)
6,252,868	376,764
\$ 6,112,598	\$ 270,497

**City of Flushing**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<b>Business Type Activities</b>				<b>Governmental</b>
	<b>Enterprise Funds</b>				<b>Activities</b>
			<b>Building</b>	<b>Total</b>	<b>Motor Pool</b>
	<b>Water</b>	<b>Sewer</b>	<b>Department</b>	<b>Enterprise</b>	<b>Internal</b>
				<b>Funds</b>	<b>Service</b>
					<b>Fund</b>
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$1,133,912	\$ 869,917	\$ 33,815	\$ 2,037,644	\$ 252,959
Payments to vendors	(777,115)	(268,888)	(42,033)	(1,088,036)	(184,104)
Payments to employees	(233,574)	(477,035)	-	(710,609)	(81,241)
Net cash provided by (used in) operating activities	123,223	123,994	(8,218)	238,999	(12,386)
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	-	-	4,000	4,000	-
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	-	-	-	-	(96,308)
Proceeds from sales of capital assets	-	-	-	-	7,200
Capital contributions	-	20,565	-	20,565	-
Principal payments on long-term debt	(90,000)	(130,000)	-	(220,000)	-
Interest expense and paying agent fees	(34,625)	(30,540)	-	(65,165)	-
Net cash used in capital and related financing activities	(124,625)	(139,975)	-	(264,600)	(89,108)
<b>Cash flows from investing activities:</b>					
Interest on investments	1,402	901	-	2,303	1,007
Net increase (decrease) in cash	-	(15,080)	(4,218)	(19,298)	(100,487)
Cash and cash equivalents - beginning of year	1	55,133	7,798	62,932	150,185
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1</b>	<b>\$ 40,053</b>	<b>\$ 3,580</b>	<b>\$ 43,634</b>	<b>\$ 49,698</b>

The notes to financial statements are an integral part of this statement.

(continued)



**City of Flushing**  
**Statement of Cash Flows**  
**Proprietary Funds (continued)**  
**For the Year Ended June 30, 2006**

	<b>Business Type Activities</b>			<b>Governmental</b>	
	<b>Enterprise Funds</b>			<b>Activities</b>	
				<b>Motor Pool</b>	
	<b>Water</b>	<b>Sewer</b>	<b>Building</b>	<b>Enterprise</b>	<b>Internal</b>
			<b>Department</b>	<b>Funds</b>	<b>Service</b>
					<b>Fund</b>
<b>Reconciliation of operating income (loss)</b>					
<b>to net cash provided by (used in) by</b>					
<b>operating activities:</b>					
Operating income (loss)	\$ 27,193	\$(125,306)	\$ (3,861)	\$ (101,974)	\$ (114,474)
Adjustments to reconcile operating income					
(loss ) to net cash provided by (used in)					
operations:					
Depreciation and amortization	131,029	249,309	-	380,338	78,910
Changes in operating assets and liabilities:					
Accounts receivable	(2,680)	945	-	(1,735)	-
Inventories	(1,100)	-	-	(1,100)	-
Due from other funds	-	7,599	-	7,599	(573)
Accounts payable	(545)	(7,317)	(4,357)	(12,219)	23,557
Accrued liabilities	1,710	(1,236)	-	474	194
Due to other funds	(32,384)	-	-	(32,384)	-
Net adjustments	96,030	249,300	(4,357)	340,973	102,088
Net cash provided by (used in)					
operating activities	\$ 123,223	\$ 123,994	\$ (8,218)	\$ 238,999	\$ (12,386)

*The notes to financial statements are an integral part of this statement.*

**City of Flushing**  
**Statement of Assets and Liabilities**  
**Fiduciary Funds - Agency Funds**  
**June 30, 2006**

**Assets**

Cash and cash equivalents	\$ 37,409
Investments	<u>115,000</u>
Total assets	<u><u>\$ 152,409</u></u>

**Liabilities**

Due to other governmental units	\$ 50,505
Deposits payable	<u>101,904</u>
Total liabilities	<u><u>\$ 152,409</u></u>

*The notes to financial statements are an integral part of this statement.*

**Notes to Basic  
Financial Statements**

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies**

The accounting policies of the City of Flushing (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Flushing:

**A. Reporting entity**

The City of Flushing was incorporated in 1964, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and its component units, separate legal entities for which the City is considered to be financially accountable. The City did not have any component units at June 30, 2006.

Jointly governed organization:

The City has entered into a joint agreement with the Charter Township of Flushing, to share in the acquisition costs and operating costs of a senior citizens center for township and city residents. The facility renovation and operation is overseen by a joint building operating committee made up of two appointees from each municipality, and are selected by the city and township members. The joint building committee prepares an annual operating budget, which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the City and Township. Operating expenses will be divided between the City and Township based on resident usage records. The City of Flushing acts as the fiduciary agent for the Senior Center, and records its share of the expenditures in the General fund. During the current year, the City's share of the operating costs of the Center was \$6,000. The City owns the building occupied by the senior citizens as such recorded as a capital asset of the City. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the Senior Citizens Center are not available at June 30, 2006.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**B. Government-wide and fund financial statements – (continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criteria: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Improvement Fund is used to account for construction projects undertaken by the City. Funding for these projects consist of a tax levy reserved for capital improvement and other revenue sources.

The City reports the following major proprietary funds:

The Water Supply and Sewer Disposal System is a division of the City's Department of Public Works. Separate funds are maintained for the operations of the water distribution system and sewage pumping and collection systems and the sewer treatment plant.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Additionally, the City reports the following internal service and fiduciary activities:

The Motor Pool Internal Service Fund accounts for fleet services provided to other departments or agencies of the City on a cost reimbursement basis.

Agency Funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion of tap fees intended to recover the cost of the infrastructure is recognized as capital contributions. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, liabilities, and net assets or equity**

**1. Bank Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**2. Receivables and Payables**

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

2. Receivables and payables – (continued)

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

3. Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain resources of the Water and Sewer Funds are classified as restricted assets on the balance sheet because they are restricted for the funding of certain reserves by applicable bond covenants. The bond reserve account is used to report resources set aside for debt service. The replacement account is used to report resources set aside to fund asset renewals and replacements. The amounts have also been classified as restricted assets.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment and infrastructure are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15-40
Public domain infrastructure	15-40
Water and sewer system infrastructure	40
Vehicles	3 - 5
Machinery and equipment	3 - 10

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

6. Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All full-time City employees can accumulate up to 12 sick days annually, which are paid or carried forward. DPW employees can carry forward 78 days if not used and receive payment of one-half of their accumulated days at retirement only. Police and exempt employees can carry forward 120 days if not used and receive payment of one-half of their accumulated days at retirement or when an employee terminates his/her employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Employees can accrue up to one and a half times the vacation earned annually. Unused vacation is paid out at retirement or when an employee terminates his/her employment. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In prior years, the governmental fund that has liquidated compensated absences has typically been the general fund.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Property tax

Property taxes are levied on each July 1 on the taxable valuation of property located in the City as of the preceding December 31. Taxes are considered delinquent on October 1 of the same year, at which time penalties and interest are assessed.



**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

9. Property tax – (continued)

A comparison of assessed and taxable property values for the 2005 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$251,663,300	\$214,878,299
Personal property	<u>6,669,000</u>	<u>6,669,000</u>
Total	<u>\$258,332,300</u>	<u>\$221,547,299</u>

The City's 2005 taxes are levied and collectible on July 1 with the lien on the property established on that date. The taxes are recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The City is permitted by charter to levy up to \$15.00 (15 mills) per \$1,000 of taxable value for general governmental services. For the year ended June 30, 2006, the City levied 7.002 mills for general governmental services, .4969 for police liaison officer, and 3.0914 mills for capital improvements. The amounts are recognized in the respective general and capital project funds financial statements as tax revenue.

10. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

11. Comparative data/reclassifications

Comparative total data for the prior year have been presented at the fund financial statement level only in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. Stewardship, compliance, and accountability**

**Budgetary information**

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 20, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**II. Stewardship, compliance, and accountability – (continued)**

**Budgetary information – (continued)**

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted on a departmental (activity) basis for General fund and fund level for most Special Revenue funds for the ensuing fiscal year, through passage of an ordinance and in accordance with Public Act 621 of 1978 of the State of Michigan. Management can transfer appropriations within departments for the General Fund, but any budgetary amendments which effect the total department appropriations must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriations lapse at year end. The City had no encumbrances outstanding at June 30, 2006.
6. The original budget was amended during the year in compliance with the City Charter and applicable state law. Budgeted amounts are reported in the required supplemental information and financial statements as originally adopted and as amended by the City Council.

**III. Detailed notes on all funds**

**A. Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, repurchase agreements, bank accounts and Certificates of Deposit. The City's deposits and investment policies are in accordance with statutory authority.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**III. Detailed notes on all funds – (continued)**

**A. Deposits and investments – (continued)**

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$703,112 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Repurchase Agreement	\$427,395	Counterparty

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. gov or agency bond or note	\$426,413	5.4 years

Concentration of credit risk:

The City places no limit on the amount the district may invest in any one issuer. More than 5 percent of the district's investments are in U.S government bonds and repurchase agreement; these investments are 49.94% of the City's total investments.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**III. Detailed notes on all funds – (continued)**

**B. Receivables**

Receivables as of year end for the City's individual major funds and the nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Capital Improvement</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Accounts	\$124,962	\$ -	\$ -	\$124,962
Intergovernmental	239,764	-	64,465	304,229
Gross receivables	364,726	-	64,465	429,191
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$364,726</u>	<u>\$ -0-</u>	<u>\$ 64,465</u>	<u>\$429,191</u>

Business type activities:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:			
Accounts	\$232,959	\$219,556	\$452,515
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$232,959</u>	<u>\$219,556</u>	<u>\$452,515</u>

**C. Capital assets**

Capital asset activity for the City's governmental and business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 959,976	\$ -	\$ -	\$ 959,976
Right-of-Ways	5,333,764	-	-	5,333,764
Construction in progress	1,261,560	-	(1,261,560)	-
Total capital assets, not being depreciated	<u>7,555,300</u>	<u>-</u>	<u>(1,261,560)</u>	<u>6,293,740</u>
Capital assets, being depreciated:				
Buildings and improvements	2,024,409	1,959,156	-	3,983,565
Machinery and equipment	2,231,879	269,745	(91,372)	2,410,252
Infrastructure	15,483,118	571,815	-	16,054,933
Total capital assets being depreciated	<u>19,739,406</u>	<u>2,800,716</u>	<u>(91,372)</u>	<u>22,448,750</u>

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**III. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities: – (continued)</b>				
Less accumulated depreciation for:				
Buildings and improvements	(1,417,838)	(125,451)	-	(1,543,289)
Machinery and equipment	(1,816,091)	(159,694)	91,372	(1,884,413)
Infrastructure	(5,844,408)	(663,436)	-	(6,507,844)
Total accumulated depreciation	(9,078,337)	(948,581)	91,372	(9,935,546)
Total capital assets, being depreciated, net	10,661,069	1,852,135	-	12,513,204
Governmental activities capital assets, net	<u>\$18,216,369</u>	<u>\$1,852,135</u>	<u>\$(1,261,560)</u>	<u>\$18,806,944</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 18,790	\$ -	\$ -	\$ 18,790
Capital assets, being depreciated:				
Buildings and system	11,279,617	-	-	11,279,617
Water and sewer system infrastructure	6,870,356	-	-	6,870,356
Machinery and equipment	255,291	-	-	255,291
Total capital assets, being depreciated	18,405,264	-	-	18,405,264
Less accumulated depreciation for:				
Buildings and system	(6,680,821)	(212,008)	-	(6,892,829)
Water and sewer system infrastructure	(3,569,660)	(163,173)	-	(3,732,833)
Machinery and equipment	(235,476)	(5,157)	-	(240,633)
Total accumulated depreciation	(10,485,957)	(380,338)	-	(10,866,295)
Total capital assets, being depreciated, net	7,919,307	(380,338)	-	7,538,969
Business-type activities capital assets, net	<u>\$ 7,938,097</u>	<u>\$ (380,338)</u>	<u>\$ -0-</u>	<u>\$ 7,557,759</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

Current:

General government	\$ 63,500
Public safety	78,521
Public works	690,330
Recreation	104,819
Social and cultural	<u>11,411</u>

Total depreciation expense - governmental activities	<u><u>\$948,581</u></u>
--	-------------------------

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**III. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

Business-type activities:	
Water	\$131,029
Sewer	<u>249,309</u>
Total depreciation expense – Business-type activities	<u><u>\$380,338</u></u>

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds:		
Motor Pool	General	<u><u>\$1,887</u></u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Advances to other funds:

The City Council has authorized a long term interfund advance during a prior year from the General fund to the Water fund. There are no interest or repayment terms on the \$100,000 advance.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund providing resources</u>	<u>Fund receiving resources</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 6,505
General Fund	Building Department	4,000
Capital Improvement	General	116,023
Capital Improvement	Other governmental funds	<u>11,480</u>
Total		<u><u>\$138,008</u></u>

The transfers from the General Fund to the Cemetery and Building Department Funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Capital Improvement Fund to the General Fund represents the movement of resources to be used to service installment debt; the transfer from the Capital Improvement Fund to the Debt Service Fund represents the movement of resources to be used to service installment debt.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**III. Detailed notes on all funds – (continued)**

**E. Long-term debt**

General obligation bonds:

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities. The original amount of general obligation bonds issued in prior years was \$2,030,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Revenue bonds:

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

The government issued special assessment bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation special assessment bonds represent the financing of public improvements that benefited specific districts in prior years. Those districts were specially assessed, at least in part, for the cost of the improvements. In conjunction with a prior year tax levy the City forgave all unpaid special assessment receivables to retire this debt. Therefore, no special assessment receivables are outstanding at June 30, 2006. The City is now completely liable for payment of these bonds and the bonds are recorded as general obligation bonds.

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:							
Special Assessment							
Bonds Series 1991-A	5.4-8%	\$ 10,000	\$ 20,000	\$ -	\$ (10,000)	\$ 10,000	\$ 10,000
Amounts of issue: \$130,000							
Maturing through: 2007							
Installment purchase agreement-							
Contract issued for the							
construction of the new							
city hall//police station	4.33	27,000-74,000	989,000	-	(74,000)	915,000	74,000
Amount of issue: \$1,100,000							
Maturing through: 2019							
Land contract – Contract issued							
for the purchase of real							
estate	7.0	105,000	105,000	-	-	105,000	-
Interest is payable annually							
Entire amount payable 2009							
Accrued annual							
and sick pay			267,729	183,001	(173,101)	277,629	155,000
Total governmental							
activities			\$1,381,729	\$183,001	\$(257,101)	\$1,307,629	\$239,000

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**III. Detailed notes on all funds – (continued)**

**E. Long-term debt – (continued)**

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:							
Revenue Bonds-							
State of Michigan Drinking							
Water Revolving Fund	2.5	95,000-125,000	\$1,385,000	\$ -	\$ (90,000)	\$1,295,000	\$ 95,000
Amounts of issue: \$1,970,768							
Maturing through: 2018							
General obligation bonds-							
Sewer Refunding Bonds	3.85-5.60	155,000-175,000	610,000	-	(130,000)	480,000	155,000
Amounts of issue: \$1,900,000							
Maturing through: 2009							
Total business-type activities			<u>\$1,995,000</u>	<u>\$ -0-</u>	<u>\$(220,000)</u>	<u>\$1,775,000</u>	<u>\$250,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30,</u>	<u>Governmental Activities</u>			<u>Business Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	84,000	46,519	130,519	250,000	54,761	304,761
2008	74,000	42,965	116,965	245,000	44,000	289,000
2009	179,000	39,761	218,761	275,000	31,626	306,626
2010	74,000	29,205	103,205	100,000	25,126	125,126
2011	74,000	26,001	100,001	105,000	22,626	127,626
2012-2016	370,000	81,945	451,945	555,000	71,440	626,440
2017-2019	175,000	10,932	185,932	245,000	9,252	254,252
Total	<u>\$1,030,000</u>	<u>\$277,328</u>	<u>\$1,307,328</u>	<u>\$1,775,000</u>	<u>\$258,831</u>	<u>\$2,033,831</u>

Act 279, Public Acts of Michigan 1909, as amended, provides that net indebtedness of cities cannot exceed 10% of the assessed real and personal property in the City. As of June 30, 2006, the City of Flushing had a total debt limit of \$25,833,230. According to Act 279, the General Obligation Refunding Bonds, the Drinking Water Revolving Fund Bonds, the land contract, and the installment purchase obligation are specifically exempted from the computation. Principal outstanding on applicable debt at June 30, 2006 is \$10,000. Therefore, the City could incur \$25,343,230 of additional general obligation debt as of June 30, 2006 and still be in compliance with State law.



**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**III. Detailed notes on all funds – (continued)**

**F. Restricted assets**

In accordance with City ordinances, specific assets of the Water Fund and Sewer Fund have been restricted for the funding of required reserves. These reserves have been established to provide for the revenue bond debt service payments and replacement of capital assets. Net assets in the Water and Sewer Funds have been reserved for these assets at June 30, 2006.

The following is a composition of the restricted assets accounts:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Business- Type Activities</u>
Bond reserve account	\$ 29,000	\$ 15,000	\$ 44,000
Replacement account	20,000	15,000	35,000
Total restricted assets	<u>\$ 49,000</u>	<u>\$ 30,000</u>	<u>\$ 79,000</u>

**IV. Other information**

**A. Retirement plan**

**Plan Description** - The City of Flushing participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City. The System provides retirement, disability benefits, deferred allowances and death benefits to plan members and beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy** - Employees are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate, which is revised annually. The City's current contribution rate is a certain percent of annual covered payroll for each category of City employee. Rates for June 30, 2006 were general employees – 21.62%, police – 22.23%, and administrative – 25.28%. Member and employer contributions are “pooled” to fund a specific pension benefit for the employees of the City. The contribution requirements of plan members and the City are established and may be amended by the MERS Board of Trustees.

**Annual Pension Cost** - For 2006, the City's annual pension cost of \$421,273 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions as of the date of the most recently completed actuarial valuation on December 31, 2003 included (1) a rate of return on the investments of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority\merit, (4) the assumption that benefits will increase 4.5% per year. The actuarial value of the City's assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll contributions over an open period of 30 years.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**IV. Other information – (continued)**

**A. Retirement plan – (continued)**

Three-Year Trend Information for  
the City of Flushing

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2004	\$388,526	100%	\$ -
June 30, 2005	390,341	100	-
June 30, 2006	421,273	100	-

Employees Retirement System  
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (VAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>VAAL as a % of Covered Payroll (b - a)/c</u>
12/31/97	\$3,684,430	\$ 5,987,763	\$2,303,333	61.5%	\$1,455,854	158.2%
12/31/98	4,181,213	6,379,625	2,198,412	65.5	1,447,415	151.9
12/31/99	4,870,812	7,061,015	2,190,203	68.9	1,510,803	144.9
12/31/00	5,379,732	8,046,566	2,666,834	66.9	1,598,152	166.9
12/31/01	5,843,297	8,535,590	2,692,293	68.4	1,679,670	160.2
12/31/02	6,124,103	9,643,698	3,519,595	63.5	1,784,023	197.3
12/31/03	6,667,308	10,351,778	3,684,470	64.4	1,740,255	211.7
12/31/04	7,050,477	11,269,966	4,219,489	62.6	1,711,414	246.5
12/31/05*	7,411,291	11,973,071	4,561,780	61.9	1,823,635	250.1

\* Most recent valuation completed as of opinion date.

**B. Post-retirement benefits**

Premiums for health insurance for all retired employees and spouses are paid by the City in accordance with the following schedule:

<u>Employee Full Years of Service</u>	<u>Percent of Premiums Paid by the City for the Spouse and Eligible Dependents</u>
20	50%
21	60
22	70
23	80
24	90
25	100

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**IV. Other information – (continued)**

**B. Post-retirement benefits – (continued)**

The aforementioned benefits are contractually required and paid annually from the General Fund and amounted to \$225,206 for the year ended June 30, 2006. At June 30, 2006, 24 employees are eligible to receive these benefits.

Upcoming reporting change:

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009. Management is currently assessing the impact of this new accounting standard on the City’s financial statement for future reporting periods.

**C. Stewardship, compliance, and accountability**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit’s fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenses related to the operation of the enforcing agency. The activity related to construction code activity for the year ended June 30, 2006 is as follows:

Construction permit revenue	\$ 33,815
Expenses:	
Professional services	<u>(37,676)</u>
Expenses over revenue	(3,861)
Beginning of year	<u>(16,278)</u>
End of year	<u><u>\$ (20,139)</u></u>

**D. Risk management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers’ compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers’ compensation). Settled claims relating to the commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

## **Required Supplementary Information**

**City of Flushing  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
Year Ended June 30, 2006  
With Comparative Actual Totals for the Year Ended June 30, 2005**

	<b>2006</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2005 Actual</b>
<b>Revenues:</b>					
Taxes	\$ 1,656,000	\$ 1,666,500	\$ <b>1,650,342</b>	\$ (16,158)	\$ 1,594,963
Licenses and permits	2,050	1,030	<b>1,047</b>	17	1,272
Intergovernmental:					
Federal	-	5,600	<b>5,692</b>	92	93,855
State	756,115	744,615	<b>745,804</b>	1,189	751,226
Local	8,000	8,000	<b>13,465</b>	5,465	62,974
Charges for services	795,950	782,850	<b>790,070</b>	7,220	803,942
Fines and fees	18,500	14,500	<b>14,863</b>	363	18,475
Administrative services	110,000	110,000	<b>110,000</b>	-	110,000
Interest and other	147,000	171,600	<b>255,297</b>	83,697	160,296
<b>Total revenues</b>	<b>3,493,615</b>	<b>3,504,695</b>	<b>3,586,580</b>	<b>81,885</b>	<b>3,597,003</b>
<b>Expenditures:</b>					
General government:					
City council	14,650	14,650	<b>14,017</b>	633	11,328
City manager	196,485	210,685	<b>209,350</b>	1,335	190,133
City elections	9,275	9,275	<b>5,856</b>	3,419	8,348
City assessor	75,416	81,416	<b>81,173</b>	243	78,119
City attorney	60,000	68,000	<b>67,661</b>	339	56,357
City clerk/treasurer	263,524	267,524	<b>266,772</b>	752	257,325
General administrative services	520,500	514,700	<b>512,869</b>	1,831	517,363
City hall annex/library	29,900	52,500	<b>51,335</b>	1,165	27,305
Cemetery	73,500	65,700	<b>60,246</b>	5,454	62,831
<b>Total general government</b>	<b>1,243,250</b>	<b>1,284,450</b>	<b>1,269,279</b>	<b>15,171</b>	<b>1,209,109</b>
Public safety:					
Police protection	1,297,650	1,317,150	<b>1,303,536</b>	13,614	1,229,087
Fire protection	162,615	167,115	<b>155,940</b>	11,175	264,625
Civil defense	1,000	1,000	<b>851</b>	149	-
<b>Total public safety</b>	<b>1,461,265</b>	<b>1,485,265</b>	<b>1,460,327</b>	<b>24,938</b>	<b>1,493,712</b>
Public works:					
Administration	149,500	307,350	<b>306,743</b>	607	593,669
Sanitation	368,400	367,900	<b>366,788</b>	1,112	359,486
Solid waste collection	130,000	119,000	<b>117,207</b>	1,793	121,461
<b>Total public works</b>	<b>647,900</b>	<b>794,250</b>	<b>790,738</b>	<b>3,512</b>	<b>1,074,616</b>

(continued)

**City of Flushing**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**Year Ended June 30, 2006**  
**With Comparative Actual Totals for the Year Ended June 30, 2005**

	<b>2006</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2005 Actual</b>
Recreation:					
Parks and grounds	146,000	163,000	<b>149,583</b>	13,417	124,695
Swimming pool	63,000	63,000	<b>48,269</b>	14,731	56,649
Total recreation	209,000	226,000	<b>197,852</b>	28,148	181,344
Social and cultural	32,700	32,700	<b>28,414</b>	4,286	26,450
Planning	16,000	5,500	<b>3,115</b>	2,385	3,454
Total expenditures	3,610,115	3,828,165	<b>3,749,725</b>	78,440	3,988,685
Excess (deficiency) of revenues over expenditures	(116,500)	(323,470)	<b>(163,145)</b>	160,325	(391,682)
<b>Other financing sources (uses):</b>					
Transfers in	116,500	116,023	<b>116,023</b>	-	119,227
Transfers out	-	(10,000)	<b>(10,505)</b>	(505)	(535,266)
Total other financing sources (uses)	116,500	106,023	<b>105,518</b>	(505)	(416,039)
Net change in fund balances	-	(217,447)	<b>(57,627)</b>	159,820	(807,721)
Fund balances - beginning of year	1,122,766	1,122,766	<b>1,122,766</b>	-	1,930,487
<b>Fund balances - end of year</b>	<b>\$ 1,122,766</b>	<b>\$ 905,319</b>	<b>\$ 1,065,139</b>	<b>\$ 159,820</b>	<b>\$ 1,122,766</b>

See notes to required Supplementary Information

**City of Flushing**  
**Notes to Required Supplementary Information**  
**June 30, 2006**

**Summary of Significant Accounting Policies – Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**

The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

## **Other Supplemental Information**



**City of Flushing, Michigan  
Nonmajor Governmental Funds  
Summary Descriptions  
June 30, 2006**

**Special Revenue Funds**

Major and Local Street Funds

The Major and Local Street Funds account for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

**Debt Service Fund**

Debt Service Fund

This fund was established to accumulate resources for the payment of the general obligation special assessment debt issued to fund capital improvements.

**Capital Projects Funds**

Fire Department Reserve Fund

This fund is used to accumulate resources for the purchase of fire department equipment and improvements.

Community Development Fund

This fund is used to account for community development funds that are used for projects suggested by the citizenry.

**Permanent Fund**

Cemetery Fund

The Cemetery Fund is used to account for investment principal and related interest income amounts reserved for maintenance of the community cemetery.

**City of Flushing, Michigan  
Nonmajor Governmental Funds  
Summary Descriptions – (continued)  
June 30, 2006**

**Fiduciary Funds**

**Agency Funds:**

Tax Collection Fund

This fund is used to account for current and delinquent taxes that are collected for other units of government.

General Trust Fund

This fund is used to account for monies received from contractors doing work with the City to ensure the work is completed. The money is returned when the job is completed.

**City of Flushing**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<u>Special Revenue</u>		<u>Debt Service</u>
	<u>Major Street</u>	<u>Local Street</u>	<u>Debt Service</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 251,772	\$ 64,808	\$ 8
Investments	-	-	-
Due from other governmental units	52,662	11,803	-
Total assets	<u>\$ 304,434</u>	<u>\$ 76,611</u>	<u>\$ 8</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 2,435	\$ 701	\$ -
Accrued and other liabilities	2,121	546	-
Deposits	-	-	-
Total liabilities	<u>4,556</u>	<u>1,247</u>	<u>-</u>
Fund balances:			
Reserved for perpetual care	-	-	-
Unreserved:	-	-	-
Undesignated	299,878	75,364	8
Total fund balances	<u>299,878</u>	<u>75,364</u>	<u>8</u>
Total liabilities and fund balances	<u>\$ 304,434</u>	<u>\$ 76,611</u>	<u>\$ 8</u>

Capital Projects		Permanent		T o t a l s	
Fire Department Reserve	Community Development	Cemetery	2006	2005	
\$ 23,389	\$ 348	\$ 32,094	\$ 372,419	\$ 373,433	
-	-	170,667	170,667	258,268	
-	-	-	64,465	-	
\$ 23,389	\$ 348	\$ 202,761	\$ 607,551	\$ 631,701	
\$ -	\$ -	\$ -	\$ 3,136	\$ 2,752	
-	-	-	2,667	4,728	
-	-	2,000	2,000	2,000	
-	-	2,000	7,803	9,480	
-	-	200,761	200,761	195,885	
23,389	348	-	398,987	426,336	
23,389	348	200,761	599,748	622,221	
\$ 23,389	\$ 348	\$ 202,761	\$ 607,551	\$ 631,701	

**City of Flushing**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<u>Special Revenue</u>		<u>Debt Service</u>
	<u>Major Street</u>	<u>Local Street</u>	<u>Debt Service</u>
<b>Revenues:</b>			
Intergovernmental:			
Federal	\$ 22,082	\$ -	\$ -
State	388,035	157,307	-
Interest and other	7,320	1,284	-
Total revenues	417,437	158,591	-
<b>Expenditures:</b>			
Current:			
Public safety:			
Police	-	-	-
Public works and streets	379,326	170,279	
Other	1,000	1,000	-
Debt service:			
Principal payments	-	-	10,000
Interest and paying agent fees	-	-	1,480
Total expenditures	380,326	171,279	11,480
Excess (deficiency) of revenues over expenditures	37,111	(12,688)	(11,480)
<b>Other financing sources:</b>			
Transfers in	-	-	11,480
Net change in fund balances	37,111	(12,688)	-
Fund balances - beginning of year	262,767	88,052	8
<b>Fund balances - end of year</b>	<b>\$ 299,878</b>	<b>\$ 75,364</b>	<b>\$ 8</b>

Capital Projects		Permanent		Totals	
Fire Department Reserve	Community Development	Cemetery	2006	2005	
\$ -	\$ -	\$ -	\$ 22,082	\$ 26,365	
-	-	-	545,342	555,037	
-	-	-	8,604	13,501	
-	-	-	576,028	594,903	
-	-	-	-	5,965	
51,772	-	1,629	549,605	464,059	
-	-	-	55,401	2,000	
-	-	-	10,000	10,000	
-	-	-	1,480	2,104	
51,772	-	1,629	616,486	484,128	
(51,772)	-	(1,629)	(40,458)	110,775	
-	-	6,505	17,985	28,971	
(51,772)	-	4,876	(22,473)	139,746	
75,161	348	195,885	622,221	482,475	
\$ 23,389	\$ 348	\$ 200,761	\$ 599,748	\$ 622,221	

**City of Flushing**  
**Major Street Fund**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2006**

	<b>Major Street</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Intergovernmental:				
Federal	\$ -	\$ -	\$ 22,082	\$ 22,082
State	400,000	388,000	388,035	35
Interest and other	3,000	7,500	7,320	(180)
Total revenues	403,000	395,500	417,437	21,937
<b>Expenditures:</b>				
Current:				
Public works and streets	402,000	419,325	379,326	39,999
Other	1,000	1,000	1,000	-
Total expenditures	403,000	420,325	380,326	39,999
Net change in fund balance	-	(24,825)	37,111	(18,062)
Fund balance - beginning of year	262,767	262,767	262,767	-
<b>Fund balance - end of year</b>	<b>\$ 262,767</b>	<b>\$ 237,942</b>	<b>\$ 299,878</b>	<b>\$ (18,062)</b>

**City of Flushing**  
**Local Street Fund**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2006**

	<b>Local Street</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Intergovernmental - state	\$ 160,500	\$ 156,000	\$ <b>157,307</b>	\$ 1,307
Interest and other	500	1,300	<b>1,284</b>	(16)
Total revenues	161,000	157,300	<b>158,591</b>	1,291
<b>Expenditures:</b>				
Current:				
Public works and streets	213,500	195,500	<b>170,279</b>	25,221
Other	1,000	1,000	<b>1,000</b>	-
Total expenditures	214,500	196,500	<b>171,279</b>	25,221
Net change in fund balances	(53,500)	(39,200)	<b>(12,688)</b>	(23,930)
Fund balances - beginning of year	88,052	88,052	<b>88,052</b>	-
<b>Fund balances - end of year</b>	<b>\$ 34,552</b>	<b>\$ 48,852</b>	<b>\$ 75,364</b>	<b>\$ (23,930)</b>



**City of Flushing**  
**Combining Balance Sheet**  
**Agency Funds**  
**June 30, 2006**  
**With Comparative Totals for June 30, 2005**

	Tax Collections	General Trust	Totals	
			2006	2005
<b>Assets</b>				
Cash and cash equivalents	\$ 27,482	\$ 9,927	\$ 37,409	\$ 168,235
Investments	65,000	50,000	115,000	-
Total assets	\$ 92,482	\$ 59,927	\$ 152,409	\$ 168,235
<b>Liabilities</b>				
Due to other governmental units	\$ 50,505	\$ -	\$ 50,505	\$ 79,021
Deposits payable	41,977	59,927	101,904	89,214
Total liabilities	\$ 92,482	\$ 59,927	\$ 152,409	\$ 168,235

**City of Flushing**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**For the Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b><u>Tax Collection</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 113,502	\$ 8,710,187	\$ 8,796,207	\$ 27,482
Investments	-	65,000	-	65,000
Total assets	\$ 113,502	\$ 8,775,187	\$ 8,796,207	\$ 92,482
<b>Liabilities</b>				
Due to other governmental units	\$ 79,021	\$ 14,172,109	\$ 14,200,625	\$ 50,505
Deposits payable	34,481	17,610	10,114	41,977
Total liabilities	\$ 113,502	\$ 14,189,719	\$ 14,210,739	\$ 92,482
<b><u>General Trust</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 54,733	\$ 11,633	\$ 56,439	\$ 9,927
Investments	-	50,000	-	50,000
Total assets	\$ 54,733	\$ 61,633	\$ 56,439	\$ 59,927
<b>Liabilities</b>				
Deposits payable	\$ 54,733	\$ 11,045	\$ 5,851	\$ 59,927
Total liabilities	\$ 54,733	\$ 11,045	\$ 5,851	\$ 59,927
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 168,235	\$ 8,721,820	\$ 8,852,646	\$ 37,409
Investments	-	115,000	-	115,000
Total assets	\$ 168,235	\$ 8,836,820	\$ 8,852,646	\$ 152,409
<b>Liabilities</b>				
Due to other governmental units	\$ 79,021	\$ 14,172,109	\$ 14,200,625	\$ 50,505
Deposits payable	89,214	28,655	15,965	101,904
Total liabilities	\$ 168,235	\$ 14,200,764	\$ 14,216,590	\$ 152,409

**City of Flushing**  
**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>**  
**Comparative Schedules By Source**  
**June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 959,976	\$ 959,976
Buildings and improvements	5,173,416	3,214,259
Machinery and equipment	1,133,304	975,213
Infrastructure	20,152,803	19,580,988
Construction in progress	-	1,261,560
	<hr/>	<hr/>
Total governmental funds capital assets	<u><u>\$ 27,419,499</u></u>	<u><u>\$ 25,991,996</u></u>

<b>Investment in governmental funds capital assets by source:</b>		
General fund	\$ 8,189,248	\$ 8,031,157
Special revenue funds	15,686,115	15,114,300
Capital projects funds	2,763,268	2,065,671
Assets acquired prior to 1984	780,868	780,868
	<hr/>	<hr/>
Total governmental funds capital assets	<u><u>\$ 27,419,499</u></u>	<u><u>\$ 25,991,996</u></u>

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of Flushing**  
**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>**  
**Schedule by Function and Activity**  
**June 30, 2006**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>
<b>General government:</b>			
City manager	\$ -	\$ -	\$ 6,101
City assessor	-	-	19,031
City hall	8,320	-	37,309
General administration services	98,000	2,121,809	55,950
Cemetery	219,600	66,563	20,089
Total general government	325,920	2,188,372	138,480
<b>Public works:</b>			
General	245,186	121,702	56,043
Streets	-	-	-
Right of ways	-	-	-
Storm sewer drains	-	-	-
Total public safety	245,186	121,702	56,043
<b>Public safety:</b>			
Police	10,000	90,207	208,333
Fire	35,200	318,988	662,113
Total public safety	45,200	409,195	870,446
<b>Recreation:</b>			
Parks and grounds	268,670	2,153,898	68,335
<b>Social and cultural</b>	75,000	300,249	-
Total governmental funds capital assets	\$ 959,976	\$ 5,173,416	\$ 1,133,304

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Infrastructure		Total	
\$	-	\$	6,101
	-		19,031
	-		45,629
	-		2,275,759
	-		306,252
	-		2,652,772
	-		422,931
	10,084,711		10,084,711
	5,333,764		5,333,764
	4,734,328		4,734,328
	20,152,803		20,575,734
	-		308,540
	-		1,016,301
	-		1,324,841
	-		2,490,903
	-		-
	-		375,249
\$	20,152,803	\$	27,419,499

**City of Flushing**  
**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>**  
**Schedule of Changes by Function and Activity**  
**Year Ended June 30, 2006**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Governmental Funds Capital Assets June 30, 2006</b>
<b>General government:</b>				
City manager	\$ 6,101	\$ -	\$ -	\$ 6,101
City assessor	19,031	-	-	19,031
City hall	1,307,189	-	1,261,560	45,629
General administration services	316,602	1,959,157	-	2,275,759
Cemetery	306,252	-	-	306,252
Total general government	1,955,175	1,959,157	1,261,560	2,652,772
<b>Public works</b>				
General	422,931	-	-	422,931
Streets	9,512,896	571,815	-	10,084,711
Right of ways	5,333,764	-	-	5,333,764
Storm sewer drains	4,734,328	-	-	4,734,328
Total public works	20,003,919	571,815	-	20,575,734
<b>Public safety:</b>				
Police	218,969	89,571		308,540
Fire	947,781	83,866	15,346	1,016,301
Total public safety	1,166,750	173,437	15,346	1,324,841
<b>Recreation:</b>				
Parks and grounds	2,490,903	-	-	2,490,903
<b>Social and cultural</b>	375,249	-	-	375,249
Total governmental funds capital assets	\$ 25,991,996	\$ 2,704,409	\$ 1,276,906	\$ 27,419,499

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

## **Statistical Section**

## Statistical Section

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.



# **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

## Net Assets by Component

	As of June 30,		
	2004	2005	2006
<b>Governmental Activities:</b>			
Invested in capital assets, net of related debt	\$ 14,511,583	\$ 17,102,369	\$ 17,776,944
Restricted	1,361,929	1,435,574	912,916
Unrestricted	1,317,119	701,655	515,907
Total net assets	<u>\$ 17,190,631</u>	<u>\$ 19,239,598</u>	<u>\$ 19,205,767</u>
<b>Business Type Activities:</b>			
Invested in capital assets, net of related debt	\$ 5,761,442	\$ 5,943,097	\$ 5,763,969
Restricted	79,000	79,000	79,000
Unrestricted	125,249	230,771	269,629
Total net assets	<u>\$ 5,965,691</u>	<u>\$ 6,252,868</u>	<u>\$ 6,112,598</u>
<b>Primary government in total:</b>			
Invested in capital assets, net of related debt	\$ 20,273,025	\$ 23,045,466	\$ 23,540,913
Restricted	1,440,929	1,514,574	991,916
Unrestricted	1,442,368	932,426	785,536
Total net assets	<u>\$ 23,156,322</u>	<u>\$ 25,492,466</u>	<u>\$ 25,318,365</u>

Note: In fiscal year 2004 , the City adopted GASB No. 34 and began reporting a government-wide statement of net assets.

## Changes in Governmental Net Assets

	Fiscal Year Ended June 30,		
	2004	2005	2006
<b>Expenses</b>			
General government	\$ 1,066,649	\$ 1,121,427	\$ 1,122,366
Public safety	1,646,041	1,297,998	1,393,787
Public works	832,442	2,025,169	2,178,726
Streets	999,174	-	-
Parks and recreation	233,490	206,504	336,102
Social and cultural	42,814	40,442	39,825
Planning	4,406	3,454	3,115
Interest on long-term debt	26,383	2,104	50,853
Total governmental activities	4,851,399	4,697,098	5,124,774
<b>Program revenues:</b>			
Charges for services			
General government	172,744	187,876	159,304
Public safety	81,570	126,475	126,863
Public works	573,521	540,798	546,685
Parks and recreation	23,904	27,909	24,926
Social and cultural	-	6,474	13,465
Total charges for services	851,739	889,532	871,243
Operating grants and contributions	43,928	535,288	543,726
Capital grants and contributions	376,351	2,020,507	5,692
Total program revenue	1,272,018	3,445,327	1,420,661
<b>Net (expense) revenue</b>	(3,579,381)	(1,251,771)	(3,704,113)
<b>General revenues:</b>			
Property taxes	2,060,167	2,252,798	2,329,613
State-shared revenues	774,222	744,018	738,310
Unrestricted grants and contributions	605,634	159,145	242,144
Unrestricted earnings	251,700	162,177	364,215
Transfers	-	(17,400)	(4,000)
<b>Change in net assets</b>	<b>\$ 112,342</b>	<b>\$ 2,048,967</b>	<b>\$ (33,831)</b>

Note: In fiscal year 2004, the City adopted GASB No. 34 and began reporting a governmental-wide statement of net assets.

## Changes in Business Type Net Assets

	2004	2005	2006
Operating Revenue			
Sale of water	\$ 1,189,753	\$ 1,094,219	\$ 1,136,593
Sewage disposal charges	716,731	915,851	878,478
Other charges for services	53,210	31,882	33,815
Total operating revenue	1,959,694	2,041,952	2,048,886
Operating Expenses			
Cost of water produced/purchased	616,747	620,713	652,566
Cost of sewage treatment	693,065	638,243	714,475
Other operation and maintenance costs	366,281	324,998	323,481
Billing and administrative costs	80,000	80,000	80,000
Depreciation	381,581	388,688	380,338
Total operating expenses	2,137,674	2,052,642	2,150,860
<b>Operating Income (Loss)</b>	(177,980)	(10,690)	(101,974)
Nonoperating Revenue (Expenses)			
Connection fees	42,020	-	-
Investment income	1,187	1,542	2,304
Interest expense	(83,178)	(74,040)	(65,165)
Income (Loss) - Before contributions and other items	(217,951)	(83,188)	(164,835)
Capital Contributions	-	352,965	20,565
Transfers from other funds	-	17,400	4,000
<b>Change in Net Assets</b>	<b>\$ (217,951)</b>	<b>\$ 287,177</b>	<b>\$ (140,270)</b>

**Fund Balances, Governmental Funds**

As of June 30,											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
General Fund:											
Reserved	\$ 103,961	\$ 104,189	\$ 104,356	\$ 106,856	\$ 104,726	\$ 104,792	\$ 104,726	\$ 480,946	\$ 472,645	\$ 419,701	
Unreserved	883,099	944,454	1,150,887	1,202,955	1,358,099	1,258,977	1,347,283	1,449,541	650,121	645,438	
Total general fund	<u>\$ 987,060</u>	<u>\$ 1,048,643</u>	<u>\$ 1,255,243</u>	<u>\$ 1,309,811</u>	<u>\$ 1,462,825</u>	<u>\$ 1,363,769</u>	<u>\$ 1,452,009</u>	<u>\$ 1,930,487</u>	<u>\$ 1,122,766</u>	<u>\$ 1,065,139</u>	
All other governmental funds:											
Reserved	\$ 102,651	\$ 102,651	\$ 1,273	\$ 1,273	\$ 3,273	\$ 3,273	\$ 3,273	\$ 174,283	\$ 195,885	\$ -	
Unreserved, reported in:											
Special revenue funds	192,456	193,421	133,421	242,807	181,075	225,013	114,778	236,676	350,819	375,242	
Capital project funds	72,387	201,147	168,539	269,696	324,998	71,972	159,587	573,164	591,726	45,212	
Debt service funds	140,622	116,616	203,223	215,481	233,079	21,464	8,562	1,007	8	8	
Fiduciary funds	71,939	82,648	185,759	127,664	139,945	151,891	163,027	-	-	-	
Permanent funds	-	-	-	-	-	-	-	-	-	200,761	
<b>Total all other governmental funds</b>	<u>\$ 580,055</u>	<u>\$ 696,483</u>	<u>\$ 692,215</u>	<u>\$ 856,921</u>	<u>\$ 882,370</u>	<u>\$ 473,613</u>	<u>\$ 449,227</u>	<u>\$ 985,130</u>	<u>\$ 1,138,438</u>	<u>\$ 621,223</u>	

## Changes in Fund Balances, Governmental Funds

	Year Ended June 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenue</b>										
Property taxes	\$1,671,608	\$1,772,421	\$1,876,777	\$1,915,699	\$1,991,023	\$2,108,424	\$2,101,573	\$2,057,024	\$2,249,572	\$2,326,450
Licenses and permits	27,147	45,076	30,977	56,189	30,807	28,612	55,132	2,261	1,272	1,047
Federal grants	38,129	304,806	706,758	158,582	394,945	49,763	118,229	43,928	120,220	27,774
State-shared revenues (and grants)	1,257,659	1,301,883	1,366,603	1,435,215	1,411,834	1,394,484	1,363,718	1,339,070	1,309,489	1,294,309
Local donations								367,513	62,974	13,465
Charges for services	731,334	759,261	796,920	775,005	778,887	819,847	835,027	874,908	803,942	790,070
Fines and forfeitures	13,111	14,577	16,553	15,119	13,670	16,274	19,631	18,499	18,475	14,863
Interest and rentals	158,454	143,405	158,623	193,591	253,491	182,483	186,385	150,538	180,862	465,875
Other	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Total revenue	4,007,442	4,451,429	5,063,211	4,659,400	4,984,657	4,709,887	4,789,695	4,963,741	4,856,806	5,043,853
<b>Expenditures</b>										
Current:										
General government	773,739	762,274	773,716	935,243	861,110	919,829	913,982	968,804	1,209,109	1,269,279
Public safety	930,926	1,067,143	1,237,944	1,222,673	1,217,652	1,311,321	1,333,244	1,357,308	1,499,677	1,460,327
Public works and streets	1,104,520	1,401,905	1,083,534	1,116,312	1,624,652	1,417,330	1,462,022	1,167,088	1,538,675	1,340,343
Recreation	190,437	201,886	248,558	218,327	267,945	237,183	204,653	298,842	181,344	197,852
Social and cultural	32,623	41,837	33,899	33,526	32,722	33,679	30,599	28,823	26,450	28,414
Planning	280	190		9,120	16,987	10,259	11,848	4,406	3,454	3,115
Other	18,910	52,445	94,473	3,623	2,500	2,500	2,500	3,300	4,000	57,401
Capital outlay	474,336	470,745	1,239,595	747,202	675,351	954,205	698,609	1,262,837	1,019,006	1,246,484
Debt service principal	209,938	217,988	103,353	117,034	80,000	308,000	10,000	42,000	10,000	10,000
Debt service interest	70,969	57,005	45,807	37,066	29,275	23,394	3,020	26,383	2,104	1,480
Total expenditures	3,806,678	4,273,418	4,860,879	4,440,126	4,808,194	5,217,700	4,670,477	5,159,791	5,493,819	5,614,695
<b>Excess of Revenue Over (Under) Expenditures</b>	200,764	178,011	202,332	219,274	176,463	(507,813)	65,854	(196,050)	(637,013)	(570,842)
Other Financing Sources (Uses)										
Debt issuance								1,215,000		
Transfers in	160,561	151,508	108,245	361,324	122,814	137,065	80,930	70,146	648,198	134,008
Transfers out	(140,375)	(151,508)	(108,245)	(361,324)	(122,814)	(137,065)	(80,930)	(70,146)	(665,598)	(138,008)
Total other financing sources (uses)	20,186	-	-	-	-	-	-	1,215,000	(17,400)	(4,000)
<b>Net change in fund balances</b>	220,950	178,011	202,332	219,274	176,463	(507,813)	65,854	1,018,950	(654,413)	(574,842)
Fund Balances - Beginning of year	1,365,078	1,565,842	1,743,853	1,946,185	2,165,459	2,341,922	1,832,109	1,896,667	2,915,617	2,261,204
Fund Balances - End of year	\$1,586,028	\$1,743,853	\$1,946,185	\$2,165,459	\$2,341,922	\$1,834,109	\$1,897,963	\$2,915,617	\$2,261,204	\$1,686,362
Debt service as a percentage of noncapital expenditu	9.2	7.8	4.3	4.4	2.7	8.4	0.3	1.8	0.3	0.3

# **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

# **Taxable value and actual value of taxable property**

Taxable Value by Property Type:										
Real property:										
Tax Year	Fiscal year ended June 30,	Residential	Commercial	Industrial	Agricultural & other	Personal property	Total Value	Tax rate (mills)	Estimated Actual Value	Taxable Value as a % of Actual
1996	1997	\$ 121,285,090	\$ 17,423,498	\$ 355,582	\$ -	\$ 5,320,425	\$ 144,384,595	49.9451	\$ 300,071,670	48%
1997	1998	129,166,870	17,469,392	356,518	-	5,647,850	152,640,630	50.0432	323,067,940	47%
1998	1999	137,355,510	18,319,950	395,280	-	5,427,600	161,498,340	50.0371	352,417,640	46%
1999	2000	144,526,510	20,694,209	368,310	-	6,707,270	172,296,299	49.4873	383,559,570	45%
2000	2001	150,227,005	21,562,165	375,250	-	7,316,250	179,480,670	49.4721	401,698,144	45%
2001	2002	158,663,490	22,711,310	478,210	-	7,491,250	189,344,260	50.5128	418,740,294	45%
2002	2003	166,909,692	22,787,110	684,850	-	7,447,600	197,829,252	49.9168	446,963,640	44%
2003	2004	173,495,383	22,899,060	645,190	-	6,203,900	203,243,533	50.2879	471,064,860	43%
2004	2005	180,050,780	24,492,600	655,130	-	6,573,600	211,772,110	52.0936	490,051,056	43%
2005	2006	187,424,236	26,757,789	696,274	-	6,669,000	221,547,299	52.0178	516,664,600	43%

Note: Under Michigan law, the revenue base is referred to as "Taxable Value". This amount represents Assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year



# **Direct and Overlapping Property Tax Rates**

Millage rates - direct city taxes					Overlapping taxes					Total tax rate:	
Tax Year	General operating	Debt	Special purpose	Total direct taxes	County	Community college	Intermediate school district	School: Homestead	School: Non-homestead	Homestead	Non-homestead
1997	7.0020	1.0000	3.5914	11.5934	7.3693	1.8745	3.6032	.7481	18.7103	25.1885	43.1507
1998	7.0020	1.0000	3.5914	11.5934	7.2693	1.8745	3.6032	.7420	18.7042	25.0824	43.0446
1999	7.0020	1.0000	3.5914	11.5934	7.3693	1.8745	3.6032	.7384	18.7006	25.1788	43.1410
2000	7.0020	.5000	3.5914	11.0934	7.3693	1.8745	3.6032	.7306	18.6928	24.6710	42.6332
2001	7.0020	.5000	3.5914	11.0934	7.3447	1.8694	3.5894	.7500	18.7500	24.6469	42.6469
2002	7.0020	.5000	3.5914	11.0934	7.3373	1.8694	3.5894	.7500	18.7500	24.6395	42.6395
2003	7.0020	-	3.5914	10.5934	7.3285	2.8672	3.5835	.7450	18.7450	25.1176	43.1176
2004	7.5020	-	3.0914	10.5934	7.2965	2.8280	3.5673	2.9889	20.7639	27.2741	45.0491
2005	7.5020	-	3.0914	10.5934	7.2553	2.7464	3.5469	2.9849	20.7599	27.1269	44.9019
2006	7.5020	-	3.0914	10.5934	7.2437	2.6807	3.5361	2.9302	20.7016	26.9841	44.7555

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General	
	Operating/	
	Special	
	Purpose	
		Debt
2006	13.3350	No Limit

**Principal Property Tax Payers,**

	Taxpayer	2005 Taxable Value	Percentage of total	1996 Taxable Value	Percentage of total	1996 rank
1	Bueche Realty	\$ 3,028,928	1.37	\$ 515,700	0.36	6
2	East Michigan Care Corp.	2,811,313	1.27	524,100	0.36	7
3	Consumers Energy	2,406,113	1.09	560,800	0.39	5
4	Kroger Co of Michigan	2,405,028	1.09	-	-	-
5	Flushing Associates LTD	1,691,038	0.76	1,458,800	1.01	1
6	Flushing Valley Country Club	1,455,802	0.66	429,900	0.30	9
7	OCM Escrow Adm/Somerset Apts.	1,432,400	0.65	1,158,800	0.80	2
8	Easton Square	1,290,500	0.58	1,040,800	0.72	3
9	Delehanty Pontiac	1,187,510	0.54	390,000	0.27	10
10	Maple Flushing/Walgreen	846,700	0.38	-	-	-
11	Tewnty Three Market	-	-	721,400	0.50	4
12	County West Plaza	-	-	510,300	0.35	8

Source: City Assessing Department Records.

**Property Tax Levies and Collections,**

Tax Year	Fiscal year ended June 30,	Total levy	Current collections	Percent collected	Delinquent collections	Total tax collections	Percent of levy collected
1996	1997	\$ 1,667,664	\$ 1,631,102	98	\$ 35,850	\$ 1,666,952	99.9
1997	1998	1,769,624	1,729,531	98	39,268	1,768,799	99.9
1998	1999	1,873,461	1,822,463	97	50,338	1,872,801	99.9
1999	2000	1,912,288	1,852,408	97	59,130	1,911,538	99.9
2000	2001	1,991,051	1,917,497	96	69,211	1,986,708	99.8
2001	2002	2,100,715	2,018,290	96	77,719	2,096,009	99.8
2002	2003	2,095,684	2,014,221	96	79,246	2,093,467	99.9
2003	2004	2,051,393	1,996,259	97	51,224	2,047,483	99.8
2004	2005	2,243,288	2,182,427	97	58,377	2,240,804	99.9
2005	2006	2,346,199	2,275,800	97	67,211	2,343,011	99.9

## **Debt Capacity**

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

# Ratios of Outstanding Debt by Type

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Governmental Activities:</b>										
General obligation bonds	\$ 730,375	\$ 533,387	\$ 446,034	\$ 350,000	\$ 290,000	\$ -	\$ -	\$ -	\$ -	\$ -
Installment purchase agreements	-	-	-	-	-	-	-	1,063,000	989,000	915,000
Special assessment bonds	141,000	120,000	104,000	83,000	63,000	45,000	35,000	30,000	20,000	10,000
Land contract	-	-	-	-	-	-	-	115,000	105,000	105,000
Capital leases	5,065	-	-	-	-	-	-	-	-	-
Total	\$ 876,440	\$ 653,387	\$ 550,034	\$ 433,000	\$ 353,000	\$ 45,000	\$ 35,000	\$ 1,208,000	\$ 1,114,000	\$ 1,030,000
<b>Business Type Activities:</b>										
General obligation bonds	\$ 1,665,706	\$ 1,435,000	\$ 1,402,735	\$ 1,249,955	\$ 1,115,000	\$ 1,000,000	\$ 880,000	\$ 745,000	\$ 610,000	\$ 480,000
Revenue bonds	-	-	1,147,124	1,877,026	1,725,768	1,645,000	1,560,000	1,475,000	1,385,000	1,295,000
Total	1,665,706	1,541,950	2,549,859	3,126,981	2,840,768	2,645,000	2,440,000	2,220,000	1,995,000	1,775,000
Total debt of the government	\$ 2,542,146	\$ 2,195,337	\$ 3,099,893	\$ 3,559,981	\$ 3,193,768	\$ 2,690,000	\$ 2,475,000	\$ 3,428,000	\$ 3,109,000	\$ 2,805,000
<b>Total residential taxable value</b>	121,285,090	129,166,870	137,355,510	144,526,510	150,227,005	158,663,490	166,909,692	173,495,383	180,050,780	187,424,236
Ratio of total debt to taxable value	0.021	0.017	0.023	0.025	0.021	0.017	0.015	0.020	0.017	0.015
<b>Total Population</b>	8,542	8,542	8,542	8,348	8,348	8,348	8,348	8,348	8,348	8,348
Total debt per capita	298	257	363	383	383	322	296	411	372	336

**Ratios of General Bonded Debt Outstanding,**

Fiscal Year	Tax-limited General obligation bonds (LTGO)	Tax supported bonds (UTGO)	Less pledged debt service funds	Other general obligation debt	Net general bonded debt	Taxable value	Debt as a percentage of taxable value	Population	Debt per capita
1997	\$ 730,375	\$ -	\$ -	\$ 5,065	\$ 735,440	\$ 144,384,595	0.50%	8,542	86
1998	533,387	-	-	-	533,387	152,640,630	0.40%	8,542	62
1999	446,034	-	-	-	446,034	161,498,340	0.20%	8,542	52
2000	350,000	-	-	-	350,000	172,296,299	0.20%	8,542	41
2001	290,000	-	-	-	290,000	179,480,670	0.20%	8,348	35
2002	-	-	-	-	-	189,344,260	0.00%	8,348	-
2003	-	-	-	-	-	197,829,252	0.00%	8,348	-
2004	-	-	-	1,178,000	1,178,000	203,243,533	0.60%	8,348	141
2005	-	-	-	1,094,000	1,094,000	211,772,110	0.50%	8,348	131
2006	-	-	-	1,020,000	1,020,000	221,547,299	0.50%	8,348	122

# **Direct and Overlapping Governmental Activities Debt**

Governmental unit	Debt outstanding	Estimated % applicable	Estimated share of overlapping debt
Mott Community College	\$ 69,105,933	2.4	\$ 1,658,542
Genesee County	36,510,621	2.4	876,255
Flushing School District	<u>26,837,393</u>	35.3	<u>13,003,600</u>
total overlapping debt	132,453,947		15,538,397
Direct City debt	<u>2,805,000</u>	100.0%	<u>2,805,000</u>
Total direct and overlapping debt	<u><u>\$ 135,258,947</u></u>		<u><u>\$ 18,343,397</u></u>

**Legal Debt Margin information,**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Calculation of debt limit:</b>										
State equalized valuation	144,384,595	161,533,970	176,208,820	191,779,785	200,849,072	209,370,147	223,468,620	235,533,329	245,025,528	258,332,300
10% of taxable value	\$ 14,438,460	\$ 16,153,397	\$ 17,620,882	\$ 19,177,978	\$ 20,084,907	\$ 20,937,014	\$ 22,346,862	\$ 23,553,333	\$ 24,502,553	\$ 25,833,230
<b>Calculation of debt subject to limit:</b>										
Total debt	2,537,081	2,195,337	3,099,893	3,559,981	3,193,768	2,690,000	2,475,000	3,428,000	3,109,000	2,805,000
Less: debt not subject to limit:										
Revenue bonds	1,665,706	1,541,950	2,549,859	3,126,981	2,840,768	2,645,000	2,440,000	2,220,000	2,605,000	1,775,000
General obligation sewer bonds	600,000	455,000	405,000	350,000	290,000	-	-	-	-	-
Lease purchase agreement	-	-	-	-	-	-	-	1,063,000	989,000	915,000
Land contract	-	-	-	-	-	-	-	115,000	105,000	105,000
net debt subject to limit	271,375	198,387	145,034	83,000	63,000	45,000	35,000	30,000	20,000	10,000
Legal debt margin	\$ 14,167,085	\$ 15,955,010	\$ 17,475,848	\$ 19,094,978	\$ 20,021,907	\$ 20,892,014	\$ 22,311,862	\$ 23,523,333	\$ 23,872,553	\$ 25,823,230
Net debt subject to limit as % of debt limit	1.88%	1.23%	0.82%	0.43%	0.31%	0.21%	0.16%	0.13%	0.08%	0.04%



### Pledged-Revenue Coverage

Fiscal year	Water and sewer revenue bonds						Special assessment bonds				
	Gross revenues	Applicable expenses	Net revenues	Debt service		Coverage	assessment collections	Debt service		Coverage	
				Principal	Interest			Principal	Interest		
1997	\$ 767,058	\$ 677,028	\$ 90,030	\$ 30,000	\$ 14,762	2.01	\$ -	\$ -	\$ -	\$ -	
1998	817,780	726,261	91,519	-	-	-	-	-	-	-	
1999	828,152	790,357	37,795	-	-	-	-	-	-	-	
2000	838,988	753,757	85,231	42,780	38,806	1.04	-	-	-	-	
2001	913,483	755,890	157,593	96,213	46,242	1.11	-	-	-	-	
2002	940,471	867,491	72,980	80,768	43,144	0.59	-	-	-	-	
2003	962,946	840,767	122,179	85,000	41,125	0.97	-	-	-	-	
2004	1,189,753	966,277	223,476	85,000	39,000	1.80	-	-	-	-	
2005	1,095,026	936,523	158,503	90,000	36,875	1.25	-	-	-	-	
2006	1,137,996	978,371	159,625	90,000	34,625	1.28	-	-	-	-	

## **Demographics and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

## Demographic and Economic Statistics

Fiscal year	Population	Personal income (in thousands)	Per Capita Personal Income	Unemploy-ment rate
1997	8,542	(1)	(1)	6%
1998	8,542	(1)	(1)	5%
1999	8,542	(1)	(1)	5%
2000	8,348	(1)	24,697	5%
2001	8,306	(1)	(1)	5%
2002	8,239	(1)	(1)	7%
2003	8,218	(1)	(1)	8%
2004	8,180	(1)	(1)	9%
2005	8,110	(1)	(1)	9%
2006	8,110	(1)	(1)	8%

(1) Not available

## Principal Employers

Taxpayer		2006 Employees	Percentage of total	1997 Employees	Percentage of total	1997 rank
1	Flushing Community Schools	380	(1)	(1)	(1)	(1)
2	Hartland Health Care	177	(1)	(1)	(1)	(1)
3	Bueches Food World	124	(1)	(1)	(1)	(1)
4	Kroger	100	(1)	(1)	(1)	(1)
5	City of Flushing	100	(1)	(1)	(1)	(1)
6	Prestige Chevrolet	68	(1)	(1)	(1)	(1)
7	Delehanty Pontiac	41	(1)	(1)	(1)	(1)
8	Wenzlick Patio	31	(1)	(1)	(1)	(1)
9	Walgreen Drug Store	30	(1)	(1)	(1)	(1)
10	Rite Aid Pharmacy	28	(1)	(1)	(1)	(1)

(1) Not available

## **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Full-time-Equivalent City Government Employees**

Function/ program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government:										
City manager	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City assessor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
City clerk/treasurer	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Cemetery	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Public safety:										
Police	10.0	10.0	14.0	13.0	14.0	14.0	14.0	14.0	14.0	14.0
Public works:										
DPW	8.0	8.0	8.0	8.0	8.0	8.0	8.0	6.0	7.0	7.0
Water and sewer	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Recreation:										
Parks and grounds	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	33.0	33.0	37.0	36.0	37.0	37.0	37.0	35.0	36.0	36.0

### Operating Indicators by Function/Program

Function/ program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Election data:										
Registered voters	6,375	5,992	6,113	6,245	6,344	6,451	6,398	6,398	6,577	6,382
Voters (at the polls or absentee)	4,654	1,858	3,912	1,624	4,885	1,097	3,903	3,903	5,196	678
Percent voting	73	31	64	26	77	17	61	61	79	11
Police:										
Physical arrests	142	77	319	208	238	276	274	262	354	239
Traffic violations	587	553	666	591	472	755	773	515	598	612
Investigations	565	584	583	464	491	550	496	462	501	428
Fire										
Fire runs	208	205	204	212	229	245	260	221	246	243
Public works										
Miles of street resurfaced	2	2	2	5	4	4	3	2	2	1
Potholes repaired	1,800	800	1,050	800	700	750	850	500	500	500
Library:										
Circulation (books borrowed)	91,460	87,786	85,925	120,580	84,312	86,444	88,695	94,266	132,670	140,211
Collection volume	20,014	19,715	27,695	33,044	34,338	30,807	32,459	32,739	32,137	36,669
Water										
Number of customers billed	3,617	3,668	3,701	3,727	3,752	3,776	3,798	3,812	3,825	3,841
Total consumption (million)	266	269	301	279	259	279	268	268	258	261
Average consumption per user	74,000	73,000	81,000	73,000	69,000	74,000	71,000	71,000	63,000	68,000
Sewer:										
Average daily sewage treatment	1.51	1.24	1.10	1.21	1.50	1.34	1.20	1.70	1.58	1.85

### Capital Asset Statistics by Function/Program

Function/ program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	5	6	7	9	10	11	9	8	8	
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Fire response vehicles	2	2	3	4	4	4	4	4	4	4
Emergency response vehicle:	1	2	2	2	2	2	2	2	2	2
Public works										
Streets (miles):										
Major streets	12	12	12	12	12	13	13	13	13	13
Local streets	25	25	25	26	26	26	26	26	26	26
Sidewalks	52	53	53	54	55	55	55	55	56	56
Streetlights	586	664	671	698	698	698	702	703	712	714
Traffic signals	2	2	2	2	2	2	2	2	2	2
Parks and recreation:										
Acreage	35	35	35	35	35	35	35	35	35	35
Developed parks	7	7	7	7	7	7	7	7	7	7
Developed fields	7	7	7	7	7	7	7	7	7	7
Libraries:										
Branches	1	1	1	1	1	1	1	1	1	1
Book collections	20,014	19,715	27,695	33,044	34,338	30,807	32,459	32,739	32,137	36,669
Water:										
mains (miles)	41	41	41	41	41	41	41	45	45	45
Fire hydrants	384	391	391	391	394	394	394	394	399	399
Storage capacity										
Sewer:										
Miles of sanitary sewers	41	41	41	41	41	41	41	49	49	49
Miles of storm sewers	27	27	27	27	27	27	27	29	29	29
Treatment capacity (million gals./day)	3	3	3	3	3	3	3	3	3	3